

SENATE BILL

No. 27

Introduced by Committee on Budget and Fiscal Review

April 30, 2003

An act to amend Section 22954 of, and to add Sections 22954.1 and 22955.1 to, the Education Code, relating to state teachers' retirement, making an appropriation therefor, and declaring the urgency thereof, to take effect immediately.

LEGISLATIVE COUNSEL'S DIGEST

SB 27, as introduced, Committee on Budget and Fiscal Review. State Teachers' Retirement System: appropriations.

(1) Under the Teachers' Retirement Law, a continuous appropriation equal to 2.5% of creditable compensation, as specified, is made annually from the General Fund for transfer to the Supplemental Benefit Maintenance Account in the Teachers' Retirement Fund.

This bill would eliminate that appropriation for the 2003–04 fiscal year. The bill would also provide that an amount equal to a specified percentage, as adjusted by the Teachers' Retirement Board, of that creditable compensation shall be credited to the Supplemental Benefit Maintenance Account each year for 5 years commencing July 1, 2007. The bill would make related legislative findings.

(2) Under the Teachers' Retirement Law, a continuous appropriation equal to 2.017 of creditable compensation, as specified, is made annually from the General Fund to the Teachers' Retirement Fund.

This bill would made an additional continuous appropriation from the General Fund to the Teachers' Retirement Fund each year for 5 years

commencing with July 1, 2007, in an amount equal to a percentage, based on the average annual rate of return on the investment of funds in the Teachers' Retirement Fund for a specified period, of creditable compensation, as specified.

(3) The bill would declare that it is to take effect immediately as an urgency statute.

Vote: ²/₃. Appropriation: yes. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. (a) When Chapter 840 of the Statutes of 2001
2 was enacted, the Legislature intended to provide funding to the
3 Supplemental Benefit Maintenance Account in the Teachers'
4 Retirement Fund to mitigate the possibility that the purchasing
5 power of retired members of the Defined Benefit Program of the
6 State Teachers' Retirement System would be eroded by inflation
7 to less than 80 percent of each member's purchasing power at the
8 time of retirement.

9 (b) The Supplemental Benefit Maintenance Account in the
10 Teachers' Retirement Fund currently has sufficient funds to
11 provide, through the year 2035, the purchasing power protection
12 contemplated in Chapter 840 of the Statutes of 2001.

13 (c) The actuary retained by Teachers' Retirement Board
14 provides the board with periodic actuarial valuations of the funds
15 and accounts of the State Teachers' Retirement System, which
16 provide the Teachers' Retirement Board, the Governor, and the
17 Legislature sufficient time to address erosions in the funding status
18 of the system before those erosions have any negative impacts on
19 the intended benefits of the system's retired members.

20 (d) It is in the best interest of the people of the State of
21 California, in this time of fiscal crisis, to recognize the state's
22 responsibilities as a sovereign state to revise prior commitments,
23 if that revision does not impair the intent and effect of any
24 contractual obligation.

25 SEC. 2. Section 22954 of the Education Code is amended to
26 read:

27 22954. (a) Notwithstanding Section 13340 of the
28 Government Code, commencing July 1, 2003, *and on each July 1*
29 *thereafter*, a continuous appropriation is hereby annually made

from the General Fund to the Controller, pursuant to this section, for transfer to the Supplemental Benefit Maintenance Account in the Teachers' Retirement Fund. The total amount of the appropriation for each year shall be equal to ~~2.5 percent~~ *the percentage specified in the following schedule* of the total of the creditable compensation of the fiscal year ending in the immediately preceding calendar year upon which members' contributions are based for purposes of funding the supplemental payments authorized by Section 24415:

<i>Date of Payment</i>	<i>Percentage</i>
<i>July 1, 2003</i>	<i>0 percent</i>
<i>July 1, 2004, and each July 1 thereafter</i>	<i>2.5 percent</i>

(b) The board may deduct from the annual appropriation made pursuant to this section an amount necessary for the administrative expenses of Section 24415.

(c) It is the intent of the Legislature in enacting this section to establish the supplemental payments pursuant to Section 24415 as vested benefits pursuant to a contractually enforceable promise to make annual contributions from the General Fund to the Supplemental Benefit Maintenance Account in the Teachers' Retirement Fund in order to provide a continuous annual source of revenue, *as necessary*, for the purposes of making the supplemental payments under Section 24415.

~~(d) This section shall become operative on July 1, 2003, if the revenue limit cost of living adjustment computed by the Superintendent of Public Instruction for the 2001-02 fiscal year is equal to or greater than 3.5 percent. Otherwise this section shall become operative on July 1, 2004.~~

SEC. 3. Section 22954.1 is added to the Education Code, to read:

22954.1. On each July 1, from July 1, 2007, to July 1, 2011, inclusive, an amount equal to 0.62 percent of the total of the creditable compensation of the fiscal year ending in the immediately preceding calendar year upon which members' contributions are based shall be credited to the Supplemental Benefit Maintenance Account. This rate shall be adjusted by the board to reflect any changes in the rate of interest credited to

1 accumulated reserves pursuant to subdivision (b) of Section
2 22216.

3 SEC. 4. Section 22955.1 is added to the Education Code, to
4 read:

5 22955.1. (a) In addition to the amount appropriated pursuant
6 to Section 22955, and notwithstanding Section 13340 of the
7 Government Code, on each July 1, from July 1, 2007, to July 1,
8 2011, inclusive, a continuous appropriation is hereby made from
9 the General Fund to the Controller for transfer to the Teachers'
10 Retirement Fund. The total amount of the appropriation made
11 pursuant to this section shall be equal to the percentage of the total
12 of the creditable compensation of the fiscal year ending in the
13 immediately preceding calendar year upon which members'
14 contributions are based that is set forth in the following schedule
15 opposite the actual average annual rate of return on the investment
16 of funds in the Teachers Retirement Fund from July 1, 2003, to
17 June 30, 2007:

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19	If the average annual rate of return is:	The percentage is:
20	Less than 3.5 percent	0.53 percent
21	At least 3.5 percent but less than 5 percent	0.56 percent
22	At least 5 percent but less than 6.5 percent	0.59 percent
23	At least 6.5 percent but less than 8 percent	0.62 percent
24	At least 8 percent but less than 9.5 percent	0.66 percent
25	At least 9.5 percent but less than 11 percent	0.69 percent
26	Equal to or greater than 11 percent	0.73 percent

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28 (b) Of the amount appropriated pursuant to subdivision (a) on
29 July 1, 2007, 95 percent shall be transferred to the Teachers'
30 Retirement Fund on July 1, 2007, and the balance of the
31 appropriation shall be transferred to the Teachers' Retirement
32 Fund on September 1, 2007.

33 (c) The Legislature reserves the right to amend this section to
34 increase the contribution rate in any fiscal year in order to provide
35 an appropriation that is actuarially equivalent to the appropriation
36 made in subdivision (a).

37 SEC. 5. This act is an urgency statute necessary for the
38 immediate preservation of the public peace, health, or safety
39 within the meaning of Article IV of the Constitution and shall go
40 into immediate effect. The facts constituting the necessity are:

1 In order to address the fiscal crisis facing the state in the
2 2003–04 fiscal year, it is necessary that this act take effect
3 immediately.

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